

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 66 – SB 251

March 9, 2017

**SUMMARY OF ORIGINAL BILL:** Designates \$120,000,000 from excess state revenue over-collected in FY16-17 and deposited to the General Fund to the Highway Fund. Requires \$20,000,000 of such funds to be earmarked to fund planning, engineering, right-of-way acquisition, construction, improvement, and rehabilitation of roads and bridges on the state-aid highway system set forth in Tenn. Code Ann. § 54-4-401 - § 54-4-406.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$120,000,000/One-Time/Highway Fund

Increase State Expenditures - \$120,000,000/One-Time/General Fund

Other Fiscal Impact – To the extent local governments permissively elect to expend in the aggregate \$6,666,700 of local funding for planning, engineering, right-of-way acquisition, construction, improvement, and rehabilitation of roads and bridges on the state-aid highway system, which equates to the required 25 percent local match pursuant Tenn. Code Ann. § 54-4-404(b), then the \$20,000,000 earmarked in the Highway Fund could be expended by the state and drawn down by the respective local governments to finance project costs totaling \$26,666,700.

**SUMMARY OF AMENDMENT (004580):** Deletes all language of the original bill. Designates \$177,000,000 from excess state revenue over-collected in FY16-17 and deposited to the General Fund to the Highway Fund. Requires \$27,000,000 of such funds to be earmarked to fund planning, engineering, right-of-way acquisition, construction, improvement, and rehabilitation of roads and bridges on the state-aid highway system set forth in Tenn. Code Ann. § 54-4-401 - § 54-4-406. Requires the Department of Transportation to submit a report to the Transportation Committee of the House of Representatives and the Transportation and Safety Committee of the Senate on or before March 1, 2018, identifying the backlog projects that have been initiated or funded from \$142,000,000 that has been transferred from the General Fund to the Highway Fund pursuant to Public Chapter 758 of the Public Acts of 2016, Section 43, Items 7-8.

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Increase State Revenue - \$177,000,000/One-Time/Highway Fund**

**Increase State Expenditures - \$177,000,000/One-Time/General Fund**

**Other Fiscal Impact – To the extent local governments permissively elect to expend in the aggregate \$9,000,000 of local funding for planning, engineering, right-of-way acquisition, construction, improvement, and rehabilitation of roads and bridges on the state-aid highway system, which equates to the required 25 percent local match pursuant Tenn. Code Ann. § 54-4-404(b), then the \$27,000,000 earmarked in the Highway Fund could be expended by the state and drawn down by the respective local governments to finance project costs totaling \$36,000,000.**

Assumptions for the bill as amended:

- There will be a one-time appropriation from the state General Fund to the Highway Fund in the amount of \$177,000,000. Of this amount, \$27,000,000 will be earmarked for the state-aid highway system.
- Pursuant to Tenn. Code Ann. § 54-4-404(a), funds appropriated to the state-aid highway system shall be allocated to local agencies to be expended upon the designated highways and roads by the formula set forth in Tenn. Code Ann. § 54-4-103.
- Pursuant to Tenn. Code Ann. § 54-4-103, state funds are appropriated to the state-aid highway program and allocated to the state's 95 counties as follows: 50 percent is distributed equally; 25 percent is distributed based on county population; and 25 percent is distributed according to county area. Pursuant to Tenn. Code Ann. § 54-4-404(b), no funds shall be either obligated or expended under the state-aid highway program unless the local agency agrees to match the proposed expenditures in an amount of 25 percent.
- In order for local governments to draw down the entire \$27,000,000 earmarked in the Highway Fund as a result of this bill, the proposed expenditures in the aggregate to complete all eligible projects would have to be at least \$36,000,000 (\$27,000,000 state funding / 75 percent state portion). As a result, local governments would be required to match in the aggregate \$9,000,000 (\$36,000,000 proposed expenditures x 25 percent local match rate). However, each local agency would be authorized to receive only such agency's allocated amount based on the formula set forth in Tenn. Code Ann. § 54-4-103.
- The Governor's proposed budget for FY17-18, on page A-12, appropriates \$30,622,000 to the state-aid program, of which \$21,082,000 is estimated to be allocated for the state-aid highway program, and \$9,540,000 is estimated to be allocated for the state bridge program. These amounts are identical to state appropriations in the previous three fiscal years (FY14-15, FY15-16, and FY16-17).
- The current balance of the state-aid highway fund available for state-aid projects is \$76,648,442, of which \$39,696,417 is available for road projects and \$34,952,025 is available for bridge projects.

- The actual expenditures from the fund over the last three full fiscal years were:  
\$31,260,833 in FY13-14 (\$22,506,026 on road projects; \$8,754,807 on bridge projects);  
\$28,133,825 in FY14-15 (\$18,316,368 on road projects; \$9,797,457 on bridge projects);  
and \$44,853,876 in FY15-16 (\$26,143,879 on road projects; \$18,709,997 on bridge projects).
- TDOT will ensure compliance with the additional reporting requirements using existing resources without an increased appropriation or a reduced reversion.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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